UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to____________

Commission File Number: 000-53661

BLACKRIDGE TECHNOLOGY INTERNATIONAL, INC.
(Exact name of issuer as specified in its charter)

Nevada	**20-1282850**
(State or Other Jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

10615 Professional Circle, Suite 201
Reno, NV 89521
(Address of Principal Executive Offices)

(855) 807-8776
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	X
Emerging growth company	X			☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No X

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No X

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

The number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date:

Class	Outstanding as of November 12, 2018
Common Stock, $0.001 par value per share	**91,107,621 shares**

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contain "forward-looking statements" that discuss, among other things, future expectations and projections regarding future developments, operations and financial conditions including, without limitation, statements regarding (i) our ability to raise capital, and (ii) our ability to establish and grow our business and (iii) other statements preceded by, followed by or that include the words "may," "would," "could," "should," "expects," "projects," "anticipates," "believes," "estimates," "plans," "intends," "targets" or similar expressions. All forward-looking statements are based on management's existing beliefs about present and future events outside of management's control and on assumptions that may prove to be incorrect. If any underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or intended.

Readers are cautioned that forward-looking statements also involve numerous inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following: general economic or industry conditions, nationally and/or in the areas in which we may conduct business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our current or potential business and related matters.

Accordingly, readers are cautioned that results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements, except as required by law.

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PART I - Financial Information

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BLACKRIDGE TECHNOLOGY INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current Assets		
Cash	$ 2,360,045	$ 421,869
Accounts receivable	168,521	217,380
Inventory	56,003	40,408
Prepaid expenses	124,149	361,642
Total Current Assets	2,708,718	1,041,299
Property and equipment, net	81,023	87,628
Intangible assets, net	8,408,306	7,043,644
Total Assets	$ 11,198,047	$ 8,172,571
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,492,455	$ 2,633,610
Accounts payable and accrued expenses – related party	56,649	68,060
Accrued interest	411,375	59,545
Accrued interest – related party	171,878	180,066
Advances – related party	115,000	65,000
Wages payable	1,963,945	2,133,210
Deferred revenue	4,938	8,760
Short-term notes payable	45,232	50,232
Current portion of long term debt	400,000	400,000
Convertible notes, short term	61,590	-
Convertible notes, short term – related party	183,172	521,172
Total Current Liabilities	5,906,234	6,119,655
Noncurrent Liabilities		
Contingent liability	37,500	37,500
Notes payable	66,657	366,658
Convertible notes, long term, net of discounts	28,425	80,404
Total Liabilities	6,038,816	6,604,217
Stockholders' Equity		
Preferred Stock, Par Value $0.001, 10,000,000 shares authorized; 3,594,610 and 3,639,783 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	3,595	3,640
Common Stock, Par Value $0.001, 200,000,000 shares authorized; 91,107,621 and 77,063,171 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	91,108	77,063
Additional paid-in capital	66,802,323	51,384,027
Accumulated deficit	(61,737,795)	(49,896,376)
Total Stockholders' Equity	5,159,231	1,568,354
Total Liabilities and Stockholders' Equity	$ 11,198,047	$ 8,172,571

See accompanying notes to the unaudited consolidated financial statements.

BLACKRIDGE TECHNOLOGY INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues	$ 74,102	$ 4,304	$ 144,116	$ 42,006
Cost of Goods Sold	8,543	-	8,593	258
Gross Profit	65,559	4,304	135,523	41,748
Operating Expenses:				
Engineering	48,775	122,932	84,119	189,055
Sales and marketing	5,620	(20,412)	5,774	21,715
General and administrative	3,824,520	4,883,037	10,254,826	9,939,334
Total operating expenses	3,878,915	4,985,557	10,344,719	10,150,104
Loss From Operations	(3,813,356)	(4,981,253)	(10,209,196)	(10,108,356)
Other Income (Expense)				
Interest income	-	-	-	-
Loss on extinguishment of debt	(511,086)	-	(606,890)	-
Interest expense	(610,167)	(730)	(909,611)	(73,338)
Interest expense – related party	(33,758)	(175,301)	(115,722)	(509,792)
Total other income (expense)	(1,155,011)	(176,031)	(1,632,223)	(583,130)
Net Loss Before Income Taxes	(4,968,367)	(5,157,284)	(11,841,419)	(10,691,486)
Income Tax	-	-	-	-
Net Loss From Continuing Operations	(4,968,367)	(5,157,284)	(11,841,419)	(5,534,202)
Discontinued Operations				
Loss on disposal of discontinued operations	-	-	-	(484,927)
Loss from discontinued operations	-	-	-	(8,737)
Loss on discontinued operations	-	-	-	(493,664)
Net Loss	$ (4,968,367)	$ (5,157,284)	$ (11,841,419)	$ (11,185,150)
Loss From Continuing Operations per Common Share - Basic and Diluted	$ (0.06)	$ (0.13)	$ (0.15)	$ (0.36)
Loss From Discontinued Operations per Common Share - Basic and Diluted	$ -	$ -	$ -	$ (0.02)
Weighted Average Shares Outstanding - Basic and Diluted	83,479,985	39,848,910	80,888,116	29,724,102

See accompanying notes to the unaudited consolidated financial statements.

BLACKRIDGE TECHNOLOGY INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash Flows From Operating Activities		
Net loss	$ (11,841,419)	$(11,185,150)
Net loss from discontinued operations	-	493,664
Net loss from continuing operations	(11,841,419)	(10,691,486)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	348,712	327,869
Amortization of debt discounts	520,022	31,002
Warrants issued in conjunction with advances	-	27,945
Common stock issued in conjunction with contracts	413,670	231,370
Employee stock option plan	708,684	-
Share based compensation	-	25,313
Warrant issued in conjunction with contracts	85,921	-
Loss on extinguishment of debt	606,890	-
Changes in operating assets and liabilities:		
Accounts receivable	48,859	-
Inventory	(15,595)	(26,068)
Prepaid expenses	237,493	(195,534)
Accounts payable	(42,330)	251,492
Accounts payable – related party	(11,411)	(325,058)
Accrued interest	380,104	1,035
Accrued interest – related party	115,722	509,792
Deferred revenue	(3,822)	(9,197)
Wages payable	736,108	4,527,900
Net Cash Used in Operating Activities, Continuing Operations	(7,712,392)	(5,313,625)
Net Cash Provided by Operating Activities, Discontinued Operations	-	45,028
Net Cash Used in Operating Activities	(7,712,392)	(5,268,597)
Cash Flows From Investing Activities		
Proceeds from business acquisition	-	10,559
Purchases of intangible assets	(1,683,431)	(935,932)
Net Cash Used in Investing Activities, Continuing Operations	(1,683,431)	(925,373)
Net Cash Used in Investing Activities, Discontinued Operations	-	-
Net Cash Used in Investing Activities	(1,683,431)	(925,373)
Cash Flows From Financing Activities		
Proceeds from sale of common stock	-	8,392,451
Proceeds from sale of preferred stock	-	275,000
Proceeds from warrant exercise	-	10,000
Proceeds from short term notes – related party	732,000	-
Proceeds from subscriptions payable	-	-
Proceeds from issuance of short term convertible notes	10,832,000	100,000
Proceeds from advances – related party	75,000	115,000
Repayments of short term debt	(5,000)	(38,989)
Repayments on short term convertible notes		(100,000)
Repayments on long term debt	(300,001)	(333,342)
Net Cash Provided by Financing Activities, Continuing Operations	11,333,999	8,420,120
Net Cash Used in Financing Activities, Discontinued Operations	-	(54,735)
Net Cash Provided by Financing Activities	11,333,999	8,365,385
Net Increase (Decrease) In Cash	1,938,176	2,171,415
Cash, Beginning of Period	421,869	57,033
Cash, End of Period	$ 2,360,045	$ 2,228,448
Non-Cash Investing and Financing Activities		
Wages payable included in capitalized intangible assets	$ 23,338	$ 168,465
Wages payable settled with common stock	$ -	$ 13,238,453
Common stock converted to preferred stock	$ -	$ 500
Preferred stock converted to common stock	$ 536	$ -

Business acquisition	$ -	$ 483,957
Warrants issued in conjunction with debt agreements	$ 5,644,008	$ 31,002
Warrants issued and expensed in conjunction with advances	$ -	$ 27,945
Conversion of debt interest	$ 1,193,910	$ -
Beneficial conversion features	$ 5,726,678	$ -
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 9,485	$ 15,502
Cash paid for income taxes	$ -	$ -

See accompanying notes to the unaudited consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – BlackRidge Technology International, Inc. (the "Company" or, "we", "us", "our" and similar terminology) was incorporated under the laws of the State of Nevada on March 15, 2004 under the name "Grote Molen, Inc." The Company develops and markets next generation cyber defense solutions that stop cyber-attacks and block unauthenticated access. The Company's network and server security products are based on patented Transport Access Control technology (the "Blackridge Technology") and are designed to isolate, cloak and protect servers and cloud services and segment networks for regulatory compliance. The Company's products are used in enterprise and government computing environments, the industrial "internet of things" and other cloud service provider and network systems

On September 6, 2016, the Company entered into an agreement and plan of reorganization with BlackRidge Technology International, Inc., a Delaware corporation, and Grote Merger Co., a Delaware corporation providing for the Company's acquisition of BlackRidge in exchange for a controlling number of shares of the Company's preferred and common stock pursuant to the merger of Grote Merger Co. with and into BlackRidge, with BlackRidge continuing as the surviving corporation. The transaction contemplated in the agreement closed on February 22, 2017.

On July 2, 2017, the Company filed a Certificate to Accompany Restated Articles or Amended and Restated Articles with the Secretary of State of Nevada to, among other things, change the Company's name to BlackRidge Technology International, Inc.

On September 22, 2017, the Company formed a new business subsidiary called BlackRidge Secure Blockchain, Inc. to pursue new market opportunities for securing blockchain applications. On August 31, 2018, the Company filed for the dissolution of Blackridge Secure Blockchain Inc. after determining it would not be utilized.

On October 13, 2017, the Company formed a new business subsidiary called BlackRidge Secure Services, Inc. to work with partners on Secure Supervisory Control and Data Acquisition Systems ("SCADA") infrastructure and to design and deliver secure systems using BlackRidge Technology products for use by the utilities industry.

Principles of Consolidation - The Company and its subsidiaries consist of the following entities, which have been consolidated in the accompanying financial statements:

BlackRidge Technology International, Inc.
BlackRidge Technology Holding, Inc.
BlackRidge Technology, Inc.
BlackRidge Technology Government, Inc.
BlackRidge Secure Services, Inc.

All intercompany balances have been eliminated in consolidation.

Basis of Presentation – The accompanying consolidated financial statements as of September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 are unaudited. In the opinion of management, all adjustments have been made, consisting of normal recurring items, that are necessary to present fairly the consolidated financial position as of September 30, 2018 as well as the consolidated results of operations and cash flows for the three and nine months ended September 30, 2018 and 2017 in accordance with U.S. generally accepted accounting principles. The results of operations for any interim period are not necessarily indicative of the results expected for the full year. The interim consolidated financial statements and related notes thereto should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2017.

Interim Financial Statements – The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, the financial statements include all adjustments (consisting of normal recurring accruals) necessary in order to make the financial statements not misleading. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the final results that may be expected for the year ended December 31, 2018. For more complete financial information, these unaudited financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2017 filed with the SEC.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated by management.

Concentrations - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The cash balance at times may exceed federally insured limits. Management believes the financial risk associated with these balances is minimal and has not experienced any losses to date. At September 30, 2018 and December 31, 2017, the Company had cash balances in excess of FDIC insured limits of $2,029,987 and $169,751, respectively.
Significant customers are those which represent more than 10% of the Company's revenue for each period presented, or the Company's accounts receivable balance as of each respective balance sheet date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total net accounts receivable are as follows:

	Revenue		Accounts Receivable	
	Nine Months Ended September 30,		September 30,	
Customers	**2018**	**2017**	**2018**	**2017**
Customer A	7%	82%	3%	-%
Customer B	77%	-%	35%	-%
Customer C	17%	18%	-%	-%

	Revenue	
	Three Months Ended September 30,	
Customers	**2018**	**2017**
Customer A	1%	41%
Customer B	70%	-%
Customer C	29%	59%
Customer D	-%	-%

Inventory - Inventory is valued at the lower of cost or market value. Product-related inventories are primarily maintained using the average cost method. When market value is determined to be less than cost, the Company records an allowance for obsolescence. The company's inventory assets at September 30, 2018 and December 31, 2017 consisted primarily of hardware appliances valued as follows:

	As of September 30, 2018	As of December 31, 2017
Inventory	$ 391,658	$ 376,063
Less: allowance for obsolescence	(335,655)	(335,655)
	$ 56,003	$ 40,408

Revenue Recognition - We account for product revenue in accordance with Accounting Standards Codification 606, Revenue Recognition, and all related interpretations. Revenue is recognized when the following criteria are met:

· Identification of the contract, or contracts, with a customer

· Identification of the performance obligations in the contract

· Determination of the transaction price

· Allocation of the transaction price to the performance obligations in the contract

· Recognition of revenue when, or as, we satisfy performance obligation

Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities.

Revenue recognition for multiple-element arrangements requires judgment to determine if multiple elements exist, whether elements can be accounted for as separate units of accounting, and if so, the fair value for each of the elements.

The Company may enter into arrangements that can include various combinations of software, services, and hardware. Where elements are delivered over different periods of time, and when allowed under U.S. GAAP, revenue is allocated to the respective elements based on their relative selling prices at the inception of the arrangement, and revenue is recognized as each element is delivered. We use a hierarchy to determine the fair value to be used for allocating revenue to elements: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence, and (iii) best estimate of selling price ("ESP"). For software elements, we follow the industry specific software guidance which only allows for the use of VSOE in establishing fair value. Generally, VSOE is the price charged when the deliverable is sold separately, or the price established by management for a product that is not yet sold if it is probable that the price will not change before introduction into the marketplace. ESPs are established as best estimates of what the selling prices would be if the deliverables were sold regularly on a stand-alone basis. Our process for determining ESPs requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable.

Any revenue received that does not yet meet the above recognition standards is recorded to unearned revenue and held as a liability until recognition occurs.

Earnings (Loss) Per Share – The basic computation of loss per share is based on the weighted average number of shares outstanding during the period presented in accordance with ASC 260, "Earnings Per Share". The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is antidilutive.

Share-Based Payments and Stock-Based Compensation – Share-based compensation awards, including stock options and restricted stock awards, are recorded at estimated fair value on the applicable award's grant date, based on estimated number of awards that are expected to vest. The grant date fair value is amortized on a straight-line basis over the time in which the awards are expected to vest, or immediately if no vesting is required. Share-based compensation awards issued to non-employees for services are recorded at either the fair value of the services rendered or the fair value of the share-based payments whichever is more readily determinable. The fair value of restricted stock awards is based on the fair value of the stock underlying the awards on the grant date as there is no exercise price.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the respective assets or, in the case of leasehold improvements, the remaining lease term, if shorter. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are removed, and the resulting gains or losses are recorded as part of other income or expense in the statements of operations. Repairs and maintenance costs are expensed as incurred.

The estimated useful lives of the property and equipment are as follows:

Property and Equipment	Estimated Useful Life
Building improvements	15 years
Furniture, fixtures and equipment	7 years
Computer equipment	5 years

Recently Issued Accounting Standards - From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases* ("ASU 2016-02"). The guidance in this new standard requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to the current accounting and eliminates the current real estate-specific provisions for all entities. The guidance also modifies the classification criteria and the accounting for sales-type and direct financing leases for lessors. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02.

NOTE 2 –GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, during the nine months ended September 30, 2018, the Company incurred a net loss of $11,841,419 and inception to date losses are equal to $61,737,795. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through investment capital. There is no assurance that the Company will be successful in raising this additional capital or in achieving profitable operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 – INTANGIBLE ASSETS

During the nine months ended September 30, 2018 and 2017, the Company capitalized $1,683,431 and $1,104,397, respectively, towards the development of software, intellectual property, and patent expenses.

The Company amortizes these costs over their related useful lives (approximately 7 to 20 years), using a straight-line basis. Fair value is determined through various valuation techniques, including market and income approaches as considered necessary. The Company reviews capitalized assets periodically for impairment any time there is a significant change that could lead to impairment, but not less than annually. The Company recorded amortization of $342,107 and $327,869 related to intangible assets during the nine months ended September 30, 2018 and 2017, respectively. The Company recorded amortization of $88,153 and $164,673 related to intangible assets during the three months ended September 30, 2018 and 2017, respectively.

NOTE 4 – NOTES PAYABLE

Short term notes

At September 30, 2018 and December 31, 2017, the Company had outstanding short-term debt totaling $45,232 and $50,232, respectively. These notes bear interest at the rates of between 10% and 12% annually and have maturity dates ranging from January 1, 2012 through December 31, 2014. As some of these notes have exceeded their initial maturity dates, they are subject to the default interest rate of 15% per annum.

The following table summarizes the Company's short-term notes payable for the nine months ended September 30, 2018 and the year ended December 31, 2017:

	September 30, 2018	December 31, 2017
Beginning Balance	$ 50,232	$ 89,221
Notes acquired in business acquisition	-	208,811
Repayments – continuing operations	(5,000)	(38,989)
Repayments – discontinued operations	-	(53,132)
Notes divested in disposal of discontinued operations	-	(155,679)
Ending Balance	$ 45,232	$ 50,232

Short term notes – related party

On January 31, 2018, the Company's Chief Technology Officer and significant shareholder invested $500,000 via a one year note bearing interest at 8% annually. In conjunction with this note, the Company issued 5 year detachable warrants to purchase 1,562,500 shares of the Company's common stock at $0.50 per share. These warrants were valued at $172,542 using the Black-Scholes pricing model and were recorded as a discount to the note. The note carries a default rate of 18% for any principal not paid by the maturity date. On September 30, 2018, the note along with interest of $29,712 was converted into 2,118,849 shares of the Company's common stock at a rate of $0.25 per share. Additionally, as part of the conversion, additional warrants to purchase 437,500 shares of common stock were issued and all warrants related to this note were repriced to reflect an exercise price of $0.25 per share. The value of these additional warrants and the lowered conversion totaled $58,250 which the Company recorded as a loss on extinguishment of debt.

Long term notes

On November 2, 2016, the Company entered into settlement agreements with two holders of convertible debt and other payables in which the Company agreed to issue new long-term debt agreements as settlement of amounts due. Pursuant to these agreements, the Company issued two non-interest bearing $600,000 notes payable in 36 equal monthly installments of $16,667 beginning on January 1, 2017 and maturing on December 1, 2019.

The following table summarizes the Company's long-term notes payable for the nine months ended September 30, 2018 and the year ended December 31, 2017:

	September 30, 2018	December 31, 2017
Beginning Balance	$ 766,658	$1,200,000
Notes acquired in business acquisition	-	136,830
Repayments – continuing operations	(300,001)	(433,342)
Repayments – discontinued operations	-	(1,603)
Notes divested in disposal of discontinued operations	-	(135,227)
Ending Balance	$ 466,567	$ 766,658
Short Term Portion of Long Term Debt	$ 400,000	$ 400,000
Long Term Debt	$ 66,657	$ 366,658

NOTE 5 – CONVERTIBLE NOTES

Short term convertible notes

On January 31, 2018, the Company issued a $100,000 convertible note bearing interest at 9% per annum. The note matures on February 28, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $46,991 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 312,500 shares of the Company's common stock at an exercise price of $0.32 per share. The warrants were valued at $46,991 using the Black-Scholes pricing model and were recorded as a discount to the note. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $38,828. The Company had accrued interest for this note in the amount of $5,304, which is included in accrued interest on the Company's consolidated balance sheets.

On February 23, 2018, the Company issued a $1,000,000 convertible note bearing interest at 9% per annum. The note matures on February 29, 2019 and is convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $459,447 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 3,125,000 shares of the company's common stock at an exercise price of $0.32 per share. The warrants were valued at $540,553 using the Black-Scholes pricing model and were recorded as a discount to the debt agreement. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $9,284. The Company had accrued interest for this note in the amount of $54,000, which is included in accrued interest on the Company's consolidated balance sheets.

On February 27, 2018, the Company issued a $1,000,000 convertible note bearing interest at 9% per annum. The note matures on February 29, 2019 and is convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $458,756 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 3,125,000 shares of the company's common stock at an exercise price of $0.32 per share. The warrants were valued at $541,244 using the Black-Scholes pricing model and were recorded as a discount to the note. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $8,625. The Company had accrued interest for this note in the amount of $53,014, which is included in accrued interest on the Company's consolidated balance sheets.

On April 18, 2018, the Company issued a $2,000,000 convertible note bearing interest at 9% per annum. The note matures on April 30, 2019 and is convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $915,856 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 6,250,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $1,084,144 using the Black-Scholes pricing model and were recorded as a discount to the note. As additional consideration for this note, the Company issued an aggregate 4,670,138 shares of the Company's common stock. Because the value of this stock exceeded the net value after the above discounts, the Company recorded the value of the consideration to additional paid in capital. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $2,515. The Company had accrued interest for this note in the amount of $81,370, which is included in accrued interest on the Company's consolidated balance sheets.

On May 4, 2018, the Company issued an aggregate $1,500,000 in convertible notes bearing interest at 9% per annum. These notes mature on May 31, 2019 and are convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $685,856 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholders were also granted detachable 5 year warrants to purchase an aggregate of 4,687,500 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $814,144 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. At September 30, 2018, the principal balances were still outstanding and is included on the Company's consolidated balance sheets net of discounts at an aggregate $944. The Company had accrued interest for these notes in the amount of $55,110, which is included in accrued interest on the Company's consolidated balance sheets.

On May 9, 2018, the Company issued a $1,028,274 convertible note bearing interest at 9% per annum as replacement for a $1,000,000 note plus accrued interest of $28,274 (see long term convertible notes section of this note). The note matures on May 31, 2019 and is convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $484,684 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 3,213,356 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $543,590 using the Black-Scholes pricing model and were recorded as a discount to the note. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $755. The Company had accrued interest for this note in the amount of $36,511, which is included in accrued interest on the Company's consolidated balance sheets.

On July 5, 2018, the Company issued an aggregate $2,000,000 in convertible notes bearing interest at 9% per annum. These notes mature on July 5, 2019 and is convertible, as amended, into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $612,962 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholders were also granted detachable 5 year warrants to purchase an aggregate of 8,000,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $1,386,998 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. At September 30, 2018, the principal balances were still outstanding and is included on the Company's consolidated balance sheets net of discounts at an aggregate $480. The Company had accrued interest for these notes in the amount of $42,411, which is included in accrued interest on the Company's consolidated balance sheets.

On July 10, 2018, the Company issued a $32,000 in convertible notes bearing interest at 9% per annum. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $9,764 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 128,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $22,226 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at an aggregate $63. The Company had accrued interest for these notes in the amount of $647, which is included in accrued interest on the Company's consolidated balance sheets.

On July 13, 2018, the Company issued a $200,000 in convertible notes bearing interest at 9% per annum. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $61,220 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 800,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $138,770 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at an aggregate $89. The Company had accrued interest for these notes in the amount of $647, which is included in accrued interest on the Company's consolidated balance sheets.

On September 17, 2018, the Company issued a $3,000,000 in convertible notes bearing interest at 9% per annum. This note matures on September 17, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.25 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $1,334,707 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 7 year warrants to purchase an aggregate of 12,000,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $1,665,283 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. Additionally, as further inducement to write this this note, the Company agreed to grant all of the investor's existing notes as well as several other existing noteholders with relationships to the investor the same terms on their existing debt that this debt carries. Because these new terms were required to write this note, the Company has accounted them as a discount on this note, the value of which is included in the beneficial conversion value. At September 30, 2018, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at an aggregate $17. The Company had accrued interest for these notes in the amount of $9,616, which is included in accrued interest on the Company's consolidated balance sheets.

Short term convertible notes – related party

On October 31, 2013, the Company agreed to convert balances owed to the Company's corporate counsel in the amount of $183,172 into a 42 month convertible note bearing interest at 12% annually and convertible into 203,525 shares of convertible preferred stock at the rate of $0.90 per share. At September 30, 2018 and December 31, 2017, the principal balance was still outstanding, and the Company had accrued interest for this note in the amount of $171,828 and $136,469, respectively, which is included in accrued interest – related party on the Company's consolidated balance sheets. The note carries a default rate of 18% for any principal not paid by the maturity date.

On November 30, 2015, John Hayes, the Company's Chief Technology Officer, Director and significant shareholder invested $101,000 via a one year convertible note bearing interest at 12% annually and convertible into 112,223 shares of Series A convertible preferred stock at the rate of $0.90 per share. On September 1, 2017, $237,000 owed to John Hayes was added to the note. On September 30, 2018, the note along with interest of $89,366 was converted into 1,709,466 shares of the Company's common stock at a rate of $0.25 per share. Additionally, as further inducement to convert the note, the Company issued the note holder 5 year warrants to purchase 1,352,000 shares of the Company's common stock. The Company recognized a loss on extinguishment of debt of $400,126 related to the decrease in conversion price and warrants granted.

On July 6, 2018, the Company issued a $200,000 in convertible notes bearing interest at 9% per annum to John Hayes, the Company's Chief Technology Officer, Director and significant shareholder. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $61,290 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 800,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $138,700 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. On September 30, 2018, the note along with interest of $4,192 was converted into 816,767 shares of the Company's common stock at a rate of $0.25 per share. The Company recognized a loss on extinguishment of debt of $43,750 related to the decrease in conversion price.

On July 10, 2018, the Company issued a $32,000 in convertible notes bearing interest at 9% per annum to J Allen Kosowsky, a Director and related party. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $9,764 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 128,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $22,226 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. On September 30, 2018, the note along with interest of $639 was converted into 130,556 shares of the Company's common stock at a rate of $0.25 per share. The Company recognized a loss on extinguishment of debt of $8,960 related to the decrease in conversion price.

Long term convertible notes

On December 21, 2017, the Company issued a $150,000 convertible note bearing interest at 8% per annum. The note matures on December 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $69,935 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 468,750 shares of the company's common stock at an exercise price of $0.32 per share. The warrants were valued at $69,935 using the Black-Scholes pricing model and were recorded as a discount to the note. At September 30, 2018 and December 31, 2017, the principal balance was still outstanding and is included on the Company's consolidated balance sheets net of discounts at $28,425 and $10,521, respectively. The Company had accrued interest for this note in the amount of $9,304 and $329, respectively, which is included in accrued interest on the Company's consolidated balance sheets.

On December 22, 2017, the Company issued a $1,000,000 convertible note bearing interest at 8% per annum. The note matures on December 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the note to contain a beneficial conversion feature valued at $466,230 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the debt agreement. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 3,125,000 shares of the company's common stock at an exercise price of $0.32 per share. The warrants were valued at $466,230 using the Black-Scholes pricing model and were recorded as a discount to the note. On May 9, 2018, this note along with $28,274 was renegotiated into a new short term convertible note and the warrants associated with the original note were cancelled. The newly negotiated note included an additional warrant benefit valued at $95,804 which was recorded as a loss on extinguishment of debt.

Long term convertible notes – related party

During 2011 to 2014, the Company's Chief Technology Officer and significant shareholder of the Company loaned a total of $2,673,200 to the Company. On October 1, 2014, all prior notes including accrued interest were combined into a single $3,712,637 convertible note bearing interest at 12% annually and convertible into 4,125,154 shares of Series A preferred stock at the rate of $0.90 per share. On November 9, 2017, the Company converted the note and accrued interest of $1,665,991 into 10,757,254 shares of the Company's common stock at a conversion rate of $0.50 per share. The Company also issued a 5 year warrant to purchase an additional 5,378,627 shares of the Company s common stock at a purchase price of $0.50 per share as further consideration for this conversion. The Company recognized a loss on extinguishment of debt related to this transaction of $913,238.

Convertible debt holders are entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock at the conversion prices and terms discussed above. The Company has determined that any embedded conversion options do not possess a beneficial conversion feature, and therefore has not separately accounted for their value.

The following table summarizes the Company's convertible notes payable for the nine months ended September 30, 2018 and the year ended December 31, 2017:

	September 30, 2018	December 31, 2017
Beginning Balance	$ 601,576	$ 3,996,810
Proceeds from issuance of convertible notes, net of issuance discounts	6,148	146,669
Proceeds from issuance of convertible notes – related party	-	237,000
Repayments	-	(100,000)
Restructuring of debt	(112,017)	-
Conversion of notes payable into common stock	(570,000)	(3,712,638)
Amortization of discounts	347,480	33,735
Ending Balance	$ 273,187	$ 601,576
Convertible notes, short term	$ 11,860,274	$ -
Convertible notes, long term	$ 150,000	$ 1,150,000
Convertible notes, short term – related party	$ 183,172	$ 521,172
Debt discounts	$(11,920,259)	$ 1,069,596

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases approximately 7,579 square feet of office space under a 62 month operating lease which expires during April 2023. The amounts reflected in the table below are for the aggregate future minimum lease payments under the non-cancelable facility operating leases. Under lease agreements that contain escalating rent provisions, lease expense is recorded on a straight-line basis over the lease term.

The Company also leases office space under a 23 month operating lease which expires during August 2019. The amounts reflected in the table below are for the aggregate future minimum lease payments under the non-cancelable facility operating leases. Under lease agreements that contain escalating rent provisions, lease expense is recorded on a straight-line basis over the lease term.

The Company also leases approximately 202 square feet of office space under a 12 month operating lease which originally expired in 2016. The lease was renewed to May 2019, and is renewable at the Company's option annually at a flat monthly amount of $400. The amounts reflected in the table below are for the aggregate future minimum lease payments under the non-cancelable facility operating leases.

Rent expense was $230,211 and $136,134 for the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, future minimum lease payments are as follows:

Year Ending December 31,	
2018 (three months)	$ 74,364
2019	259,851
2021	209,559
2021	214,107
2022	218,654
2023 and thereafter	18,569
Total minimum lease payments	$ 995,104

On August 1, 2017, the Company entered into a 36 month lease of computer equipment. The lease carries a monthly payment of $2,871 with the option to purchase the equipment at its fair market value at the end of the lease.

Restricted Stock Commitments

The Company has committed to settling a significant portion of its current accounts payable balances through the future issuance of restricted stock units. While the terms of these agreements have not yet been formalized with employees and outside contractors, they could have a potentially dilutive effect to current shareholders.

Contingent Liability

On October 15, 2011, the Company entered into an agreement with a consultant by which the consultant's invoices for the previous four months would be accrued as a liability to be paid out upon (a) the Company's successful raising of $10,000,000 in capital funding, or (b) the Company reaching total revenues of $10,000,000. The Company has a balance due under this agreement of $37,500 at September 30, 2018 and December 31, 2017, respectively.

Legal Proceedings

On December 2, 2016, AltEnergy Cyber, LLC ("Plaintiff") instituted a legal action in Connecticut against the Company and Robert Zahm. The complaint alleged that (i) the Company improperly extended the maturity date of the Plaintiff's convertible note in the amount of $1,500,000 and (ii) improperly converted the loan into the Company's stock. The Complaint alleges that the Company is liable to the Plaintiff for $4,500,000 plus interest. This litigation is still ongoing. During the year ended December 31, 2017, Robert Zahm was dismissed from the proceedings for lack of personal jurisdiction. On March 29, 2018, the AltEnergy Cyber, LLC's legal action was dismissed through a motion for summary judgement. As of the date of this filing, the appeal period has expired and it is the Company's belief that this matter is fully resolved through the dismissal.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2018, the Company incurred interest expense on notes to related parties in the aggregate amount of $126,619 (see Note 4 – Short term notes – related party & Note 5 – Convertible Notes).

Accounts payable related party

At September 30, 2018 and December 31, 2017, the Company had a balance in related party accounts payable of $56,649 and $68,060, respectively, which consisted of the following:

Party Name:	Relationship:	Nature of transactions:	September 30, 2018	December 31, 2017
John Hayes	Chief Technology Officer	Expense reimbursement	$ 53,149	$ 55,254
Robert Graham	Chairman and Chief Executive Officer	Expense reimbursement	-	6,806
Robert Graham	Chairman and Chief Executive Officer	Rent	3,500	6,000
			$ 56,649	$ 68,060

Advances related party

During the nine months ended September 30, 2018, the Company received advances of $50,000 from Mag Ventures, a company controlled by Tom Bruderman, a director and shareholder. These advances are included in Advances – related party on the Company's balance sheet.

During the nine months ended September 30, 2018, the Company received advances of $25,000 from J. Allen Kosowsky, a director and shareholder. These advances were converted into 78,125 shares of the Company's common stock at a price of $0.32 per share on September 13, 2018.

At September 30, 2018 and December 31, 2017, the Company had a balance in related party advances of $115,000 and $65,000, respectively, which consisted of the following:

Party Name:	Relationship:	September 30, 2018	December 31, 2017
J Allen Kosowsky	Director	$ -	$ -
Thomas Bruderman	Director and significant shareholder	115,000	65,000
		$ 115,000	$ 65,000

Related Party Notes

On January 31, 2018, the Company's Chief Technology Officer and significant shareholder invested $500,000 via a one year note bearing interest at 8% annually. In conjunction with this note, the Company issued 5 year detachable warrants to purchase 1,562,500 shares of the Company's common stock at $0.50 per share. These warrants were valued at $172,542 using the Black-Scholes pricing model and were recorded as a discount to the note. The note carries a default rate of 18% for any principal not paid by the maturity date. On September 30, 2018, the note along with interest of $29,712 was converted into 2,118,849 shares of the Company's common stock at a rate of $0.25 per share. Additionally, as part of the conversion, additional warrants to purchase 437,500 shares of common stock were issued and all warrants related to this note were repriced to reflect an exercise price of $0.25 per share. The value of these additional warrants and the lowered conversion totaled $58,250 which the Company recorded as a loss on extinguishment of debt.

On November 30, 2015, John Hayes, the Company's Chief Technology Officer, Director and significant shareholder invested $101,000 via a one year convertible note bearing interest at 12% annually and convertible into 112,223 shares of Series A convertible preferred stock at the rate of $0.90 per share. On September 1, 2017, $237,000 owed to John Hayes was added to the note. On September 30, 2018, the note along with interest of $89,366 was converted into 1,709,466 shares of the Company's common stock at a rate of $0.25 per share. Additionally, as further inducement to convert the note, the Company issued the note holder 5 year warrants to purchase 1,352,000 shares of the Company's common stock. The Company recognized a loss on extinguishment of debt of $400,126 related to the decrease in conversion price and warrants granted.

On July 6, 2018, the Company issued $200,000 in convertible notes bearing interest at 9% per annum to John Hayes, the Company's Chief Technology Officer, Director and significant shareholder. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $61,290 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 800,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $138,700 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. On September 30, 2018, the note along with interest of $4,192 was converted into 816,767 shares of the Company's common stock at a rate of $0.25 per share. The Company recognized a loss on extinguishment of debt of $43,750 related to the decrease in conversion price.

On July 10, 2018, the Company issued $32,000 in convertible notes bearing interest at 9% per annum to J Allen Kosowsky, a Director and related party. This note matures on July 31, 2019 and is convertible into the Company's Series B Preferred Stock at a price of $0.32 per share at the holder's request. The Company has determined the notes to contain a beneficial conversion feature valued at $9,764 based on the intrinsic per share value of the conversion feature. This beneficial conversion feature is recorded as a discount to the note. The noteholder was also granted detachable 5 year warrants to purchase an aggregate of 128,000 shares of the company's common stock at an exercise price of $0.25 per share. The warrants were valued at $22,226 using the Black-Scholes pricing model and were recorded as a discount to the debt agreements. On September 30, 2018, the note along with interest of $639 was converted into 130,556 shares of the Company's common stock at a rate of $0.25 per share. The Company recognized a loss on extinguishment of debt of $8,960 related to the decrease in conversion price.

NOTE 8 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 200 million shares of common stock, par value $0.001 per share, and 10 million shares of preferred stock, par value $0.001 per share. Each share of the Company's preferred stock was originally convertible into 10 shares of common stock, subject to adjustment, has voting rights equal to its common stock equivalent, 7% cumulative dividend rights, and has liquidation rights that entitle the recipient to the receipt of net assets on a pro-rata basis. The Company has 91,107,627 and 77,063,171 common shares issued and outstanding and 3,594,610 and 3,639,783 Series A preferred shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively.

During the nine months ended September 30, 2018, the Company issued an aggregate 1,049,166 shares of the Company's common stock pursuant to consulting contracts valued at $533,670, or an average of $0.51 per share.

During the nine months ended September 30, 2018, the Company converted an aggregate 45,173 shares of the Company's Series A preferred stock into 535,565 shares of the Company's common stock after receiving conversion exercises from multiple preferred stockholders.

On March 30, 2018, a contractor rescinded a provision in its contract for common stock payments, and returned 300,000 shares previously issued to it during 2017. The Company retired the returned shares and recaptured the original $240,000 expensed when the shares were issued.

On June 11, 2018, the Company issued 300,000 shares of the Company's common stock valued at $120,000 as a signing bonus to an employee.

On June 13, 2018, the Company converted a $25,000 advance from related party and Director J Allen Kosowsky into 78,125, shares of the Company's common stock at a price of $0.32 per share (see Note 7 – Related Party Transactions).

On September 30, 2018, the Company issued an aggregate 2,935,818 shares of the Company's common stock to satisfy $1,027,535 in wages payable at the rate of $0.35 per share. The stock contains a 6 month non-forfeitable vesting restriction.

On September 30, 2018, The Company converted notes payable and interest valued at an aggregate $1,161,271 and due to the Company's Chief Technology Officer and Director, John Hayes, into 4,645,082 shares of the Company's common stock at a price of $0.25 per share (see Note 7 – Related Party Transactions).

On September 30, 2018, The Company converted notes payable and interest valued at $32,639 and due to the Company's Director, J Allen Kosowsky, into 130,556 shares of the Company's common stock at a price of $0.25 per share (see Note 7 – Related Party Transactions).

NOTE 9 – SHARE BASED COMPENSATION

During the year ended December 31, 2017, the Company issued 5-year options to purchase 5,570,000 shares of common stock to employees and directors under the 2017 Stock Incentive Plan. The options were valued at $1,557,089 using the Black-Scholes pricing model. During the nine months ended September 30, 2018, the Company issued 5-year options to purchase 4,740,200 shares of common stock to an employee under the 2017 Stock Incentive Plan and cancelled 277,173 unvested options. The issued options were valued at $1,127,292 using the Black-Scholes pricing model. As of September 30, 2018, the total unrecognized expense for unvested share based compensation was $1,835,557. The 2017 Stock Incentive Plan allows for a maximum 25,000,000 shares to be issued, of which 14,966,973 shares remain available for issuance as of September 30, 2018.

The fair values at the commitment date for the options were based upon the following management assumptions as of September 30, 2018:

	Commitment Date
Expected dividends	0%
Expected term	5 years
Risk free rate	1.73 – 2.80%

The activity of options granted to during the nine months ended September 30, 2018 is as follows:

	Employee and Director Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life	Weighted Average Grant Date Fair Value	Intrinsic Value
Beginning Balance – December 31, 2017	5,570,000	$ 0.60	5 years	$ 0.28	
Granted	4,740,200	$ 0.60	5 years	$ 0.24	
Exercised	-				
Cancelled	(277,173)	$ 0.60	4.33 years	$ 0.28	
Ending Balance – September 30, 2018	10,033,027	$ 0.60	3.76 years	$ 0.26	$ -
Exercisable options	3,127,420	$ 0.60	3.76 years	$ 0.26	$ -

The weighted average fair value per option issued during the nine months ended September 30, 2018 and the year ended December 31, 2017 was $0.23 and $0.28, respectively.

The following table summarizes non-vested option activity during the nine months ended September 30, 2018:

	Non-Vested Options	Weighted Average Grant Date Fair Value
Beginning Balance – December 31, 2017	5,177,042	$ 0.28
Granted	4,740,200	$ 0.10
Vested	(3,127,420)	
Forfeited	(277,173)	
Ending Balance – September 30, 2018	6,905,607	$ 0.25

NOTE 10 – BUSINESS ACQUISITION

On September 6, 2016, the Company and BlackRidge Technology International, Inc., a Delaware corporation entered into an Agreement and Plan of Reorganization (the "Reorganization Agreement") originally dated as of September 6, 2016, and amended on February 22, 2017 to update the number of common shares, warrants, and options granted and outstanding as of the closing date.

On February 22, 2017, we, through our wholly-owned subsidiary, completed the actions contemplated by the Reorganization Agreement pursuant to which our wholly-owned subsidiary merged with and into BlackRidge Technology International, Inc. ("BlackRidge-DE") with BlackRidge-DE continuing as the surviving corporation ("Reorganization"). Upon completion of the Reorganization, we issued 3,783,791 shares of our newly designated Series A preferred stock and 12,825,683 shares of common stock to the stockholders of BlackRidge-DE in exchange for all the issued and outstanding shares of Series A Preferred Stock and common stock of BlackRidge. Additionally, certain stockholders of BlackRidge returned for cancellation a total of 16,284,330 shares of our common stock. Upon the completion of the Reorganization, BlackRidge-DE became a wholly-owned subsidiary of the Company and the Company had a total of 3,783,791 shares of Series A preferred stock and 21,790,683 shares of common stock outstanding, with the former BlackRidge-DE stockholders owning 3,783,791 shares or 100% of Series A preferred stock and 12,825,683 shares or approximately 58.9% of common stock. Upon completion of the Reorganization, we also had outstanding warrants entitling the holders to acquire a total of 18,541,579 shares of the Company's common stock at an average exercise price of $0.46 per share. The Reorganization resulted in a change of control of the Company. For accounting purposes, BlackRidge-DE was treated as the acquirer and the historical financial statements of BlackRidge-DE became the Company's historical financial statements. The acquisition is intended to constitute a tax-free reorganization pursuant to the applicable provisions of the Internal Revenue Code of 1986, as amended.

NOTE 11 – DISCONTINUED OPERATIONS

On March 31, 2017, the Company completed the sale of substantially all the assets, other than cash, used in or connection with the Company's home grain mill and kitchen mixer business to John Hofman and Bruce Crane, former officers and directors of the Company, in consideration for the assumption by such persons of substantially all the liabilities incurred by the Company in connection with such business. The assets divested consisted of the non-cybersecurity assets of the Company and included accounts receivable, inventory, deposits, property and equipment and intangible assets. The liabilities divested included the non-cybersecurity liabilities of the Company and included accounts payable and accrued expenses and long and short-term notes payable and accrued interest thereon. Upon completion of the divestiture, the Company recognized a $484,927 loss on disposal. Additionally, during the period from February 22, 2017 through March 31, 2017, the Company incurred a loss from discontinued operations of $8,737.

The following table shows the value of assets and liabilities divested:

Assets	
Accounts receivable	$ 40,044
Deposits and prepaid expenses	90,559
Inventory	1,157,555
Property and equipment	117,254
Intangible assets	62,820
Total Assets	1,468,232
Liabilities	
Accounts payable and accrued expenses	692,399
Notes payable – short term	64,000
Notes payable – short term, related party	91,679
Line of credit	135,227
Total Liabilities	983,305
Loss on disposal	$ 484,927

NOTE 12 - SUBSEQUENT EVENTS

We have evaluated all events that occurred after the balance sheet date through the date when our financial statements were issued to determine if they must be reported. Management has determined that there were no additional reportable subsequent events to be disclosed.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

BlackRidge Technology International, Inc., formerly known as Grote Molen, Inc., ("we," "us," "our," the "Company" or "BlackRidge") was incorporated under the laws of the State of Nevada on March 15, 2004. On February 22, 2017, Grote Merger Co., our wholly-owned subsidiary, merged with and into BlackRidge Technology International, Inc. ("BlackRidge-DE") with BlackRidge-DE continuing as the surviving corporation.

We develop and market next generation cyber defense solutions that stop cyber-attacks and block unauthenticated access. Our network and server security products are based on our patented Transport Access Control technology and are designed to isolate, cloak and protect servers and cloud services and segment networks for regulatory compliance. BlackRidge products are used in enterprise and government computing environments, the industrial Internet of Things ("IoT"), and other cloud service provider and network systems.

Business

The Company develops, markets and supports a family of products that provide a next generation cyber security solution for protecting enterprise networks and cloud services. With our patented technology, network and server resources located in the enterprise, datacenters and cloud systems, are better protected, less expensive to protect, and less vulnerable to compromise from cyber-attacks and insider threats. We believe that our identity-based approach to network and cloud security offers superior performance compared to legacy network security approaches, and reduces the total cost of ownership for organizations by eliminating malicious and unwanted traffic from their networks and systems.

BlackRidge products provide advanced capabilities compared to advanced firewalls in applications such as network segmentation and isolating cloud services. BlackRidge also cloaks protected network resources from network mapping, reconnaissance and other forms of unauthorized access and attacks which cannot be blocked by advanced firewalls or malware detection systems.

Our proprietary technology, BlackRidge Transport Access Control ("TAC"), authenticates user or device identity and applies security policies across networks and cloud services before application sessions are established. Underlying BlackRidge TAC is our patented First Packet Authentication™ which conveys and authenticates identity in the "first packet" of a TCP network session request. This fundamental invention addresses a security gap in how the Internet operates: the inability to authenticate network traffic sources. Without authentication, unidentified and unauthorized users and devices can scan, probe and access networks and cloud services. This security gap is exploited in all cyber-attacks through the process of network scanning and reconnaissance, and it has been further exposed and magnified by cloud services, mobile connectivity, and the Internet of Things.

The Company's technology is first to market with this approach of enforcing security policy based on cryptographically secured identity on every TCP/IP session.

Our products are protected by multiple U.S. Patents including "First Packet Authentication," "Concealing a Network Connected Device," "Digital Identity Authentication," and "Statistical Object Identification."

Products

BlackRidge and our partners sell network security products and solutions based on our proprietary BlackRidge TAC software. BlackRidge TAC provides high throughput and low latency network security that operates pre-session, in real time, before other security defenses engage. BlackRidge products can be deployed inside a network or a cloud to cloak and protect servers and segment networks, in front of existing security stacks to filter anonymous traffic, or as part of service provider or OEM (as defined below) solution.

The BlackRidge solution is available in the following product configurations, with additional platform support and endpoint under development:

- 1U rack-mountable 1GbE or 10GbE network appliance
- 1GbE fanless desktop appliance
- VMware ESXi™ virtual appliance
- IBM z Systems™ LPAR and IBM z/VM® software appliances
- Amazon Web Services appliances
- Windows and Linux software endpoints

BlackRidge products are priced per appliance or gateway and on the total number of user and device identities supported in an implementation. Enterprise and OEM licensing along with subscription pricing are available. BlackRidge appliances can support up to 100,000 identities and 4,000,000 sessions, providing a highly scalable enterprise solution that operates with low latency and high throughput compared to current network security devices.

Network and cloud deployments options include deploying in-line as a Layer 2 transparent bridge or logically inline as a Layer 3 gateway for cloud deployments. BlackRidge software and systems are designed to be highly resilient and can be configured for high availability and failover. Security policies can be verified during deployment with progressive modes of bridge, monitor and audit, and then enforce policy.

Support and Maintenance

BlackRidge offers standard and premium support to our end-customers and channel partners, where our channel partners typically deliver level one support and we provide level two and level three support. The support for our end customers includes ongoing maintenance services for both hardware and software to receive software upgrades, bug fixes, and repairs. End customers typically purchase these services for a one year or longer term at the time of the initial product sale and typically renew for successive one year or longer periods.

Professional Services.

Professional services are primarily delivered through our channel partners and include experts who plan, design, and deploy effective security solutions tailored to our end-customers' specific requirements. These services include solution design and planning, configuration, and installation. Our education services provide online and classroom-style training and are also primarily delivered through our internal team.

Technology Alliance Partners

BlackRidge participates in an ecosystem of technology alliance partners to extend the breadth and depth of our products and partner solutions. By helping to ease the complications that organizations face when implementing multi-layered security solutions, our technology alliances facilitate integrated solution design, accelerate the time to realize value, and enhance our role as a strategic security partner.

Markets, Customers and Distribution Channels

The BlackRidge network security and adaptive cyber defense solution is broadly applicable to virtually all enterprise, government and industrial control market segments. Whether deployed directly in a customer's environment or embedded as part of partner cloud service or solution, BlackRidge provides a new level of cyber defense not available in the market today.

BlackRidge markets and sells its products through multiple channels, including direct sales, integrator and reseller channel partners, cloud and managed service providers, and through strategic original equipment manufacturer ("OEM") partners to both government and commercial users. The initial sales focus and market entry strategy for BlackRidge was the US Department of Defense, which is a key leverage point for the company's current commercial, government, and international sales efforts. Our customers and partners include IBM, Ciena, Crimson Logic, the US Department of Defense, the US Department of Energy, Marist College, Nihon Cornet Technology, Splunk and healthcare providers.

Within the commercial markets, BlackRidge sells both direct and through our strategic partners to large enterprise accounts, and indirectly through certain channel partners to specific verticals and international market segments. Our initial market entry strategy for the commercial market is to sell directly in order to establish customer references with large enterprises in North America that have high security and compliance requirements. These include more complex regulated enterprises such as Financial Services, Healthcare, Insurance and Utility companies. Our channel partners are recruited to assist with expanding enterprise sales, commercializing specific vertical markets, and penetrating the international markets. Revenue from commercial sales includes product licensing fees, installation services, and annual support based on a standard price list.

In the government markets, BlackRidge sells its standard commercial products through a wholly owned subsidiary, BlackRidge Technology Government, to government resellers, integrators and contractors who resell to the Department of Defense (DOD) and civilian agencies. BlackRidge has been involved with the DOD for over six years, including our initial product development funding which was provided by the U.S. DOD. The BlackRidge products have been designed for several large DOD programs and they have been extensively tested and validated for use by the Defense Information Systems Agency ("DISA") labs. The timing of the DOD adoption of BlackRidge products depends on approval of budgets and final product testing approvals from DISA. BlackRidge Government revenue is net of government discounts, contracting fees, and channel and service partner discounts.

The BlackRidge OEM and service provider partnership strategy is to make targeted investments to capitalize on opportunities in specific market segments such as the industrial IoT, blockchain networks, and cloud solution providers. For these markets and our partners, BlackRidge TAC can be deployed as an integrated or embedded capability in the partners' equipment and vertical market solutions, and sold and supported by our partner. BlackRidge provides unique, integrated identity-based cyber defense for these OEM products or service offerings that provides their end user customer with a competitive market advantage in the face of today's advanced cyber threats. Revenue from OEM offerings flows from embedded product licensing fees and support fees that are somewhat unique to each OEM offering.

Marketing

Our marketing is focused on building our brand reputation and market awareness for our company and our unique technology capabilities and platform, driving customer demand and building a strong sales pipeline, and working with our channel and OEM partners. Our marketing team consists of corporate marketing, product marketing and product management, marketing operations, and corporate communications. Marketing activities include sales training and enablement, demand generation programs, digital marketing programs, product launch activities, managing our corporate and investor website, social media, trade shows and conferences, and press and analyst relations.

Research and Development

We continue to enhance our BlackRidge TAC software, the core software used in the BlackRidge products. This software is responsible for the TAC token generation, token validation, the token cache, packet processing and the insertion of TAC tokens into TCP connection requests. The TAC software has been developed domestically within the U.S. using only U.S. citizens. This software includes implementations of granted and pending patents owned by BlackRidge.

We continue to pursue research and development to improve our existing products. These improvements include making our products easier to manage, easier to deploy in large numbers, and improvements in our integrations with 3rd party products that communicate with BlackRidge products.

Our product development efforts release software with new features from time to time. When a new feature is significant enough, we produce a major software release. In between major software releases, there may be one or more minor software releases that also introduce less significant new features.

Intellectual Property

BlackRidge focuses on developing patent protection for products it develops and for products and features that are anticipated. We constantly perfect and file new applications. We continue to develop our products; we will continue to file additional patent applications where appropriate.

The granted patents focus on the communication of identity tokens at the network layer (6,973,496, 8,346,951), combining Identity authentication at different security layers (8,281,127, 8,635,445), insuring the integrity of token authentication (8,572,697) and using identity to select amongst a set of trusted resources (9,118,644). The pending applications focus on extending the above protections (13/987,747, 14/544,987, 14/998,645), using network identity in a firewall (14/545,988), making network routing policy decisions using identity (14/999,317) and detecting tampering of hardware and software systems (13/199,050).

As of release 3.0, our products use the technology described in patents 6,973,496, 8,346,951 and 8,572,697 as well as technology described in some of our pending applications. As we continue to add products and features, we will be incorporating technology described in additional patents and applications. All patents and completed applications are assigned to BlackRidge Technology Holdings, Inc.

<u>Granted Patents</u>

Concealing a Network Connected Device US Patent number 6,973,496, Patent Application U.S. Ser. No. 10/094,425. Filed 5 March 2002, Granted 6 December 2005, 1 Claim.

Method for Digital Identity Authentication US Patent number 8,281,127, Patent Application U.S. Ser. No. 12/658,113. Filed 1 February 2010, Granted 2 October 2012, 20 Claims.

Method for First Packet Authentication US Patent number 8,346,951, Patent Application U.S. Ser. No. 11/242,637. Filed 30 Sept 2005, Granted 1 January 2013, 25 Claims.

Method for Statistical Object Identification US Patent number 8,572,697, Patent Application U.S. Ser. No. 13/373,586. Filed 18 November 2011, Granted 29 October 2013, 43 Claims.

Method for Digital Identity Authentication US Patent number 8,635,445, Patent Application U.S. Ser. No. 13/573,077. Filed 16 August 2012, Granted 21 January 2014, 23 Claims.

Method for Directing Requests to Trusted Resources US Patent number 9,118,644, Patent Application U.S. Ser. No. 13/573,238. Filed 30 August 2012, Granted 25 August 2015, 27 Claims.

Published Pending Applications

Method for Statistical Object Identification Patent Application U.S. Ser. No. 13/987,747, filed 27 August 2013, continuation-in-part of Patent 8,572,697.

Unpublished Pending Applications

U.S. Patent Applications are published by the patent office 18 months after filing.

Method for Network Security Using Statistical Object Identification Patent Application U.S. Ser. No. 14/544,987, filed 11 March 2015, continuation-in-part of Patent 8,572,697.

Method for Attribution Security System Patent Application U.S. Ser. No. 14/545,988, filed 13 July 2015.

Method for Statistical Object Identification Patent Application U.S. Ser. No. 14/998,645, filed 16 January 2016, continuation-in-part of Patent 8,572,697.

Method for Using Authenticated Requests to Select Network Routes Patent Application U.S. Ser. No. 14/999,317, filed 22 April 2016.

Secure Cloud Computing System Patent Application U.S. Ser. No. pending, filed 6 August 2016, continuation-in-part of Patent Applications U.S. Ser. No. 13/199,050 and 13/999,757.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements, including the following:

Accounts Receivable

Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. We determine the allowance for doubtful accounts by identifying potential troubled accounts and by using historical experience and future expectations applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded as income when received. We determined that no allowance for doubtful accounts was required at September 30, 2018 and December 31, 2017.

Intangible Assets

Acquired intangible assets are recorded at estimated fair value, net of accumulated amortization. Costs incurred in obtaining certain patents and intellectual property as well as software development expenses, are capitalized and amortized over their related estimated useful lives, using a straight-line basis consistent with the underlying expected future cash flows related to the specific intangible asset. Costs to renew or extend the life of intangible assets are capitalized and amortized over the remaining useful life of the asset. Amortization expenses are included as a component of selling, general and administrative expenses in the consolidated statements of operations. The Company's continued ability to extend and/or renew the rights associated with these intangible assets may have an impact on future cash flows.

Useful life estimates for the Company's significant intangible asset classes are as follows:

	Useful Life
Patent Costs	20 years
Software Licenses	7 years
Software Development Costs	15 years

Impairment of Long-Lived Assets

The Company reviews long-lived assets, at least annually, to determine if impairment has occurred and whether the economic benefit of the asset (fair value of assets to be used and fair value less disposal cost for assets to be disposed of) is expected to be less than the carrying value. Triggering events, which signal further analysis, consist of a significant decrease in the asset's market value, a substantial change in the use of an asset, a significant physical change in the asset, a significant change in the legal or business climate that could affect the asset, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct the asset, or a history of losses that imply continued loss associated with assets used to generate revenue.

Revenue Recognition

Revenue is recognized when the following criteria are met:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy performance obligation

Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities.

Revenue recognition for multiple-element arrangements requires judgment to determine if multiple elements exist, whether elements can be accounted for as separate units of accounting, and if so, the fair value for each of the elements.

The Company may enter into arrangements that can include various combinations of software, services, and hardware. Where elements are delivered over different periods of time, and when allowed under U.S. GAAP, revenue is allocated to the respective elements based on their relative selling prices at the inception of the arrangement, and revenue is recognized as each element is delivered. We use a hierarchy to determine the fair value to be used for allocating revenue to elements: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence, and (iii) best estimate of selling price ("ESP"). For software elements, we follow the industry specific software guidance which only allows for the use of VSOE in establishing fair value. Generally, VSOE is the price charged when the deliverable is sold separately or the price established by management for a product that is not yet sold if it is probable that the price will not change before introduction into the marketplace. ESPs are established as best estimates of what the selling prices would be if the deliverables were sold regularly on a stand-alone basis. Our process for determining ESPs requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable.

Any revenue received that does not yet meet the above recognition standards is recorded to unearned revenue, and held as a liability until recognition occurs.

Income Taxes

We account for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

FASB ASC Topic 740, *Income Taxes,* requires us to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, we must measure the tax position to determine the amount to recognize in our consolidated financial statements. We performed a review of our material tax positions in accordance with recognition and measurement standards established by ASC Topic 740 and concluded we had no unrecognized tax benefit that would affect the effective tax rate if recognized for the nine months ended September 30, 2018 and 2017.

We include interest and penalties arising from the underpayment of income taxes, if any, in our consolidated statements of operations in general and administrative expenses. As of September 30, 2018 and December 31, 2017, we had no accrued interest or penalties related to uncertain tax positions.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses, notes payable and convertible debt. The carrying amount of these financial instruments approximates fair value because of the short-term nature of these items.

Results of Operations

Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017

Sales

Total sales during the three months ended September 30, 2018 were $74,102, as compared to sales during the three months ended September 30, 2017 of $4,304, an increase of $69,798 or approximately 1,622%. This increase was primarily due to two contracts added during the current period. Management believes historical sales not to be indicative of future expectations due to our historically limited business operations. We believe that future sales will be significantly increased as we market our new suite of products.

Operating Expenses

Our selling, general and administrative expenses were $3,878,915 for the three months ended September 30, 2018, compared to $4,985,557 for the three months ended September 30, 2017, a decrease of $1,106,642, or approximately 22%. The decrease in selling, general and administrative expenses in the current period is primarily attributable to an approximate $846,000 decrease in wage expense, an approximate $908,000 decrease in professional fees, partially offset by an approximate $182,000 increase in non-cash expenses related to stock issuances for consulting contracts, an approximate $317,000 increase in depreciation and amortization and an increase of approximately $500,000 in employee stock share based compensation and an approximate $511,000 increase in non-cash expenses from loss on extinguishment of debt.

Interest Income (Expense)

Other expense includes interest expense on our indebtedness, a portion of which is indebtedness to related parties. Total net interest expense was $643,925 and $176,031 for the three months ended September 30, 2018 and 2017, respectively. The increase in interest expense of $467,984 in the current year is attributable primarily to an increase in debt financing during the current quarter.

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

Sales

Total sales during the nine months ended September 30, 2018 were $144,116, as compared to sales during the nine months ended September 30, 2017 of $42,006, an increase of $102,110, or approximately 243%. This increase was primarily due to two contracts added during the current period. Management believes historical sales not to be indicative of future expectations due to our historically limited business operations. We believe that future sales will be significantly increased as we market our new suite of products.

Operating Expenses

Our selling, general and administrative expenses were $10,344,719 for the nine months ended September 30, 2018, compared to $10,150,104 for the nine months ended September 30, 2017, an increase of $194,615, or approximately 2%. The increase in selling, general and administrative expenses in the current period is primarily attributable to an approximate $182,000 increase in non-cash expenses related to stock issuances for consulting contracts, an increase of approximately $709,000 in employee stock share based compensation and an approximate $510,000 increase in depreciation and amortization, and an increase of approximately $58,000 in warrants issued for contracts, partially offset by an approximate $1,408,000 decrease in professional fees, and an approximate $279,000 decrease in wages and salaries.

Interest Income (Expense)

Other expense includes interest expense on our indebtedness, a portion of which is indebtedness to related parties. Total net interest expense was $1,025,333 and $583,130 for the nine months ended September 30, 2018 and 2017, respectively. The increase in interest expense of $442,203 in the current year is attributable primarily to an increase in debt financing during the current year.

Loss on disposal of discontinued operations

On March 31, 2017, the Company completed the sale of substantially all the assets, other than cash, used in or connection with the Company's home grain mill and kitchen mixer business to John Hofman and Bruce Crane, former officers and directors of the Company, in consideration for the assumption by such persons of substantially all the liabilities incurred by the Company in connection with such business. The assets divested consisted of the non-cybersecurity assets of the Company and included accounts receivable, inventory, deposits, property and equipment and intangible assets. The liabilities divested included the non-cybersecurity liabilities of the Company and included accounts payable and accrued expenses and long and short-term notes payable and accrued interest thereon. Upon completion of the divestiture, the Company recognized a $484,927 non-cash loss on disposal.

Loss from discontinued operations

During the period from February 22, 2017 through March 31, 2017, the Company recognized a loss from discontinued operations of $8,737. This loss was primarily driven by lower than anticipated product sales of the entity that was eventually sold.

Liquidity and Capital Resources

At September 30, 2018, we had total current assets of $2,708,718, including cash of $2,360,045, and current liabilities of $5,906,234, resulting in working capital deficit of $3,197,516. Our current assets and working capital included receivables of $168,521, inventory of $56,003 and prepaid expenses of $124,149.

In addition, as September 30, 2018, we had total stockholders' equity of $5,159,231. As we have worked toward our acquisition and new product launches, we have primarily financed recent operations, the development of technologies, and the payment of expenses through the issuance of our debt, common stock, preferred stock and warrants.

For the nine months ended September 30, 2018, net cash used in operating activities was $7,712,392, as a result of our net loss from continued operations of $11,841,419 and increases in inventory of $15,595, and decreases in deferred revenue of $3,822, accounts payable and accrued expenses – related party of $11,411, partially offset by non-cash expenses totaling $2,683,899, and increases in accrued interest of $380,104, accrued interest - related party of $115,722, wages payable of $736,108, and a decrease in accounts receivable of $48,859 and prepaid expenses of $237,493.

By comparison, for the nine months ended September 30, 2017, net cash used in operating activities was $5,268,597, as a result of our net loss from continued operations of $11,185,150 and increases in inventory of $26,068, prepaid expenses of $195,534, and decreases in deferred revenue of $9,197, accounts payable and accrued expenses – related party of $325,058, partially offset by non-cash expenses totaling $643,499, and increases in accounts payable and accrued expenses of $251,492, accrued interest of $1,035, accrued interest - related party of $509,792, wages payable of $4,527,900, loss from discontinued operation of $493,664 and cash flows from discontinued operations of $45,028.

Cash used in investing activities for the nine months ended September 30, 2018 was $1,683,431 compared to $925,373 for the nine months ended September 30, 2017. The increase in the current period is due primarily to an increase in capitalized engineering costs related to the Company's technology development.

For the nine months ended September 30, 2018, net cash provided by financing activities was $11,333,999, comprised of proceeds from the sale short term notes – related party of $732,000, short term notes of $10,832,000 and advances – related party of $75,000, partially offset by repayments of short term notes of $5,000 and repayments of long-term notes of $300,001.

For the nine months ended September 30, 2017, net cash provided by financing activities was $8,365,385, comprised of proceeds from the sale of common stock of $8,392,451, preferred stock of $275,000 and warrants exercised of $10,000, proceeds from short term notes of $100,000 and advances – related party of $115,000, partially offset by the repayment of short-term notes of $38,989, repayments of short-term convertible notes of $100,000, repayments of long-term notes of $333,342 and cash outflows from discontinued operations of $54,735.

Based on our current business plan, we anticipate that our operating activities will use approximately $500,000 in cash per month over the next twelve months, or $6 million. Currently we do not have enough cash on hand to fully implement our business plan, and will require additional funds within the next year. We believe that our operations will not begin to generate significant cash flows until the fourth quarter of 2018 when we expect to begin new product contracts.

In order to remedy this liquidity deficiency, we are actively seeking to raise additional funds through the sale of equity and debt securities, and ultimately plan to generate substantial positive operating cash flows. Our internal sources of funds will consist of cash flows from operations, but not until we begin to realize substantial revenues from sales. If we are unable to raise additional funds in the near term, we may not be able to fully implement our business plan, and it is unlikely that we will be able to continue as a going concern.

Off-balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not required.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls over Procedures

Under the supervision and with the participation of our management, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("the Exchange Act") as of September 30, 2018, the end of the period covered by this report. Based upon that evaluation, we have concluded that our disclosure controls and procedures as of September 30, 2018 were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

None

Limitations on the Effectiveness of Internal Controls

Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our control have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On December 2, 2016, AltEnergy Cyber, LLC ("Plaintiff") instituted a legal action in Connecticut against the Company and Robert Zahm. The complaint alleged that (i) the company improperly extended the maturity date of the Plaintiff's convertible note in the amount of $1,500,000 and (ii) improperly converted the loan into the Company's stock. The Complaint alleges that the Company is liable to the Plaintiff for the $4,500,000 plus interest. This litigation is still ongoing. During the year ended December 31, 2017, Robert Zahm was dismissed from the proceedings for lack of personal jurisdiction. On March 29, 2018, the AltEnergy Cyber, LLC's legal action was dismissed through a motion for summary judgement. As of the date of this filing, the appeal period has expired and it is the Company's belief that this matter is fully resolved through the dismissal.

Item 1A. Risk Factors

Not required.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the nine months ended September 30, 2018, the Company issued an aggregate 1,049,166 shares of the Company's common stock pursuant to consulting contracts valued at $533,670, or an average of $0.51 per share.

During the nine months ended September 30, 2018, the Company converted an aggregate 45,173 shares of the Company's preferred stock into 535,565 shares of the Company's common stock after receiving conversion exercises from multiple preferred stockholders.

On March 30, 2018, a contractor rescinded a provision in its contract for common stock payments, and returned 300,000 shares previously issued to them during 2017. The Company retired the returned shares and recaptured the original $240,000 expensed when the shares were issued.

On June 11, 2018, the Company issued 300,000 shares of the Company's stock valued at $120,000 as a signing bonus to an employee.

On June 13, 2018, the Company converted an $25,000 advance from related party and Director J Allen Kosowsky into 78,125, shares of the Company's common stock at a price of $0.32 per share (see Note 7 – Related Party Transactions).

On September 30, 2018, the Company issued an aggregate 2,935,818 shares of the Company's common stock to satisfy $1,027,535 in wages payable at the rate of $0.35 per share. The stock contains a 6 month non-forfeitable vesting restriction.

On September 30, 2018, The Company converted notes and interest valued at an aggregate $1,161,271 and due to the Company's Chief Technology Officer and Director, John Hayes, into 4,645,082 shares of the Company's common stock at a price of $0.25 per share (see Note 7 – Related Party Transactions).

On September 30, 2018, The Company converted notes and interest valued at $32,639 and due to the Company's Director, J Allen Kosowsky, into 130,556 shares of the Company's common stock at a price of $0.25 per share (see Note 7 – Related Party Transactions).

We believe that the foregoing transactions were exempt from the registration requirements under Section 4(a)(2) of the Securities Act of 1933, as amended ("the Act") and Rule 506(b) of Regulation D, based on the following facts: there was no general solicitation, there was a limited number of purchasers, each of whom the Registrant believes was an "accredited investor" (within the meaning of Regulation D under the Securities Act of 1933, as amended) and was sophisticated about business and financial matters, and all shares issued were subject to restriction on transfer, so as to take reasonable steps to assure that the purchaser was not an underwriter within the meaning of Section 2(11) under the Act.

We believe the foregoing transaction was exempt from the registration requirements under Section 3(a)(9) of the Act. No commission or other remuneration is paid or given directly or indirectly for such exchange other than the surrender and cancellation of the Company's preferred stock.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed as part of this report:

Identification of Exhibit

31.1	Section 302 Certification of Chief Executive Officer *
31.2	Section 302 Certification of Chief Financial Officer *
32.1	Section 1350 Certification of Chief Executive Officer *
32.2	Section 1350 Certification of Chief Financial Officer *

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACKRIDGE TECHNOLOGY INTERNATIONAL, INC.

Date:	November 14, 2018	By:	*/s/ Robert Graham* Robert Graham, Chief Executive Officer and President
Date:	November 14, 2018	By:	*/s/ John Bluher* John Bluher, Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Graham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackRidge Technology International, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions);

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 14, 2018

By: */s/ Robert Graham*
Robert Graham
Chief Executive Officer and President

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Bluher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BlackRidge Technology International, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions);

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 14, 2018

By: */s/ John Bluher*
John Bluher
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BlackRidge Technology International, Inc. (the "Registrant") on Form 10-Q for the quarter ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Robert Graham, Chief Executive Officer of the registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: November 14, 2018

By: */s/ Robert Graham*
Robert Graham
Chief Executive Officer and President

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BlackRidge Technology International, Inc. (the "Registrant") on Form 10-Q for the quarter ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, John Bluher, Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: November 14, 2018

By: */s/ John Bluher*
John Bluher
Chief Financial Officer